

**CLARINDA  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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**CLARINDA COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board Of Education</b>		
<b>(Before September 2009 Election)</b>		
Seth Watkins	President	2011
Pallin Turner	Vice President	2009
Dale Fulk		2009
Brian Fine		2011
Scott McComb		2011
<b>(After September 2009 Election)</b>		
Seth Watkins	President	2011
Pallin Turner	Vice President	2013
Beth Rarick		2013
Brian Fine		2011
Scott McComb		2011
<b>School Officials</b>		
Paul Honnold	Superintendent	
Cindy VanFossen	District Secretary/ Treasurer	

**BRUCE D. FRINK**  
**Certified Public Accountant**

Independent Auditor's Report

**Member:**

American Institute of Certified  
Public Accountants

Iowa Society of Certified  
Public Accountants

**Services:**

Individual, Partnership and  
Corporate Tax Preparation

Year Round Tax Planning

Electronic Filing

Payroll & Sales Tax  
Preparation

I.R.S. Representation

Monthly/Quarterly Write-Up

Data Processing Services

Payroll Preparation

Computerized Financial  
Statements

Bank Loan Assistance

**Plus:**

Over 30 years of Expertise and  
Experience

Evenings & Saturdays Available  
by Appointment

Extended Hours During Tax  
Season

To the Board of Education of  
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Clarinda Community School District, Clarinda, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Clarinda Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2010 on our consideration of Clarinda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarinda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce D. Frink*

BRUCE D. FRINK  
Certified Public Accountant

March 10, 2011

## CLARINDA COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

Clarinda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,557,310 in fiscal 2009 to \$9,620,854 in fiscal 2010 (a 1% increase), while General Fund expenditures increased from \$9,763,319 in fiscal 2009 to \$9,812,120 in fiscal 2010 (less than 1% increase).
- The increase in General Fund revenues was primarily attributable to increases in local taxes and tuition related to the Clarinda Youth Academy. Educational services increased at the Academy and by state law are included in the financial records of the District. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The unreserved General Fund balance decreased by over \$191,000.
- The statewide sales, service and use tax is being used for the retirement of long-term debt and various infrastructure projects.
- The District fully retired its general obligation bonded indebtedness in 2010.

#### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clarinda Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clarinda Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clarinda Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and Fiduciary Funds as well as a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*Clarinda Community School District Annual Financial Report*

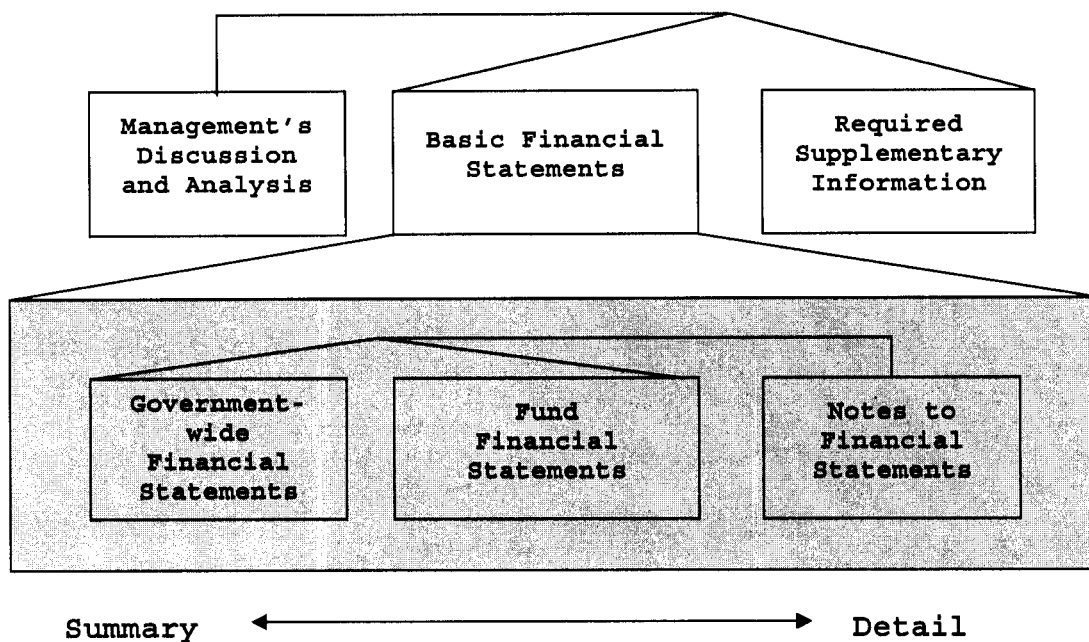


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and Cardinal Kids Zone	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and Cardinal Kids Zone programs are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Cardinal Kids Zone Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to the year ending June 30, 2009.

<p style="text-align: center;"><b>Figure A-3</b>  <b>Condensed Statement of Net Assets</b>  <b>(Expressed in Thousands)</b></p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 7,586	6,993	229	229	7,815	7,222	8.21%
Capital assets	7,919	8,064	22	28	7,941	8,092	-1.87%
<b>Total assets</b>	<b>15,505</b>	<b>15,057</b>	<b>251</b>	<b>257</b>	<b>15,756</b>	<b>15,314</b>	<b>2.89%</b>
Current liabilities	4,612	4,110	23	26	4,635	4,136	12.06%
Non-current liabilities	280	795	-	-	280	795	-64.78%
<b>Total liabilities</b>	<b>4,892</b>	<b>4,905</b>	<b>23</b>	<b>26</b>	<b>4,915</b>	<b>4,931</b>	<b>-0.32%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	7,679	7,269	22	28	7,701	7,297	5.54%
Restricted	1,671	1,548	-	-	1,671	1,548	7.95%
Unrestricted	1,263	1,335	206	203	1,469	1,538	-4.49%
<b>Total net assets</b>	<b>\$ 10,613</b>	<b>10,152</b>	<b>228</b>	<b>231</b>	<b>10,841</b>	<b>10,383</b>	<b>4.41%</b>

The District's net assets grew by over 4% primarily due to the increase in capital assets, net of related debt.

The District fully retired its general obligation bonded indebtedness during 2010. The General Fund decreased by over \$191,000 in large part due to a 10% midyear state aid cut.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**Figure A-4**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,533	1,475	224	232	1,757	1,707	2.93%
Operating grants, contributions and restricted interest	2,458	2,067	279	279	2,737	2,346	16.67%
General revenues:							
Property tax	3,010	3,019	-	-	3,010	3,019	-0.30%
Income surtax	254	236	-	-	254	236	7.63%
Statewide sales, services and use tax	570	556	-	-	570	556	2.52%
Unrestricted state grants	3,317	3,835	-	-	3,317	3,835	-13.51%
Unrestricted investment earnings	19	21	-	-	19	21	-9.52%
Other	7	121	-	-	7	121	1000.00%
Total revenues	<u>11,168</u>	<u>11,330</u>	<u>503</u>	<u>511</u>	<u>11,671</u>	<u>11,841</u>	<u>-1.44%</u>
Program expenses:							
Governmental activities:							
Instruction	7,017	6,931	-	-	7,017	6,931	1.24%
Support Services	2,861	2,859	-	-	2,861	2,859	0.07%
Non-instructional programs	-	-	506	495	506	495	2.22%
Other expenses	829	803	-	-	829	803	3.24%
Total expenses	<u>10,707</u>	<u>10,593</u>	<u>506</u>	<u>495</u>	<u>11,213</u>	<u>11,088</u>	<u>1.13%</u>
Change in net assets	<u>\$ 461</u>	<u>737</u>	<u>(3)</u>	<u>16</u>	<u>458</u>	<u>753</u>	<u>-39.18%</u>

Property tax and unrestricted state grants account for 54% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$11,168,408 and expenses were \$10,707,267 for the year ended June 30, 2010. Capital Assets accounted for the majority of the increase in net assets.

The following table presents the total and net cost of the District's governmental activities, instruction, support services, and other expenditures, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 7,017	6,931	1.24%	3,548	3,921	-9.51%
Support services	2,861	2,859	0.07%	2,727	2,693	1.26%
Other expenses	829	803	3.24%	441	437	0.92%
Totals	\$ 10,707	10,593	1.08%	6,716	7,051	-4.75%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,533,178.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,782,340.
- The net cost of governmental activities was primarily financed with \$3,010,006 in property tax and \$3,317,468 in state foundation aid.

#### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2010 were \$503,203 and expenses totaled \$506,362. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted the Clarinda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,745,750; three percent above last year's ending fund balances of \$2,668,168.

This was primarily due to the early payoff of general obligation bonds.

#### **Governmental Fund Highlights**

- The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items. However, midyear state aid cuts of historic proportions prevented the General Fund from growing as anticipated.
- The District fully retired its outstanding general obligation bonded indebtedness.

#### **Proprietary Fund Highlights**

The Nutrition Fund decreased slightly. The District has attempted to maintain prices at a reasonable level.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Project, Enterprise and Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

### Legal Budgetary Highlights

The District's total actual receipts were approximately \$1,000,000 less than the total budgeted receipts. The most significant change resulted in the District receiving less than expected from the state government. A 10% state aid cut was extremely hurtful in the middle of the year.

Total expenditures were over \$1.6 million less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District exceeded the amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2010, the District has invested more than \$7.9 million (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$350,000.

Figure A-6							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
Governmental	Business Type		Total		Total		
Activities	Activities		District		Change		
June 30,	June 30,		June 30,		June 30,		
2010	2009	2010	2009	2010	2009	2009-2010	
Land	\$ 116	116	-	-	116	116	0.00%
Land improvements	867	910	-	-	867	910	-4.73%
Buildings	6,626	6,702	-	-	6,626	6,702	-1.13%
Furniture and equipment	310	336	22	28	332	364	-8.79%
Totals	\$ 7,919	8,064	22	28	7,941	8,092	-1.87%

### Long-Term Debt

The District has \$240,000 of revenue bonds that will fully mature in 2011. The interest rate on this debt is 4.80%. Payments will be made from proceeds of the statewide sales, service and use tax.

The District issued \$3,150,000 of general obligation bonds in 2005. The bonds were fully paid in 2010, more than six years earlier than the original issue.

The District also has begun recognizing the future costs of retiree health benefits. See note 11 for further details.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ -	425	-100.00%
Net OPEB liability	39	-	100.00%
Revenue bonds	240	370	-35.14%
Total	\$ 279	795	-64.91%

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- State aid cuts in both 2009 and 2010 have caused the District to tap existing reserves.
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District maintains an agreement with Clarinda Youth Academy to administer some of their educational programs. Continuation of this agreement will continue to assist the District.
- The New Market District dissolved as of June 30, 2010. The financial impact of this action was negative in the General Fund, but a net positive when all funds are combined.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Honnold, Superintendent, Clarinda Community School District, 423 East Nodaway, Clarinda, IA 51632.

## Basic Financial Statements

## CLARINDA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,788,373	203,010	2,991,383
Receivables:			
Property tax:			
Current year	41,234	-	41,234
Succeeding year	3,226,051	-	3,226,051
Income surtax	234,112	-	234,112
Due from other governments	530,836	-	530,836
Other receivables	765,799	-	765,799
Inventories	-	26,801	26,801
Capital assets, net of accumulated depreciation (note 3)	7,918,641	21,528	7,940,169
<b>Total assets</b>	<u>15,505,046</u>	<u>251,339</u>	<u>15,756,385</u>
<b>Liabilities</b>			
Accounts payable	968,308	-	968,308
Accrued salary and benefits	80,497	23,424	103,921
Accrued interest payable	5,760	-	5,760
Deferred revenue:			
Succeeding year property tax	3,226,051	-	3,226,051
Federal programs	331,687	-	331,687
Long term liabilities:			
Portion due within one year:			
Revenue bonds	240,000	-	240,000
Portion due after one year:			
Net OPEB liability	39,905	-	39,905
<b>Total liabilities</b>	<u>4,892,208</u>	<u>23,424</u>	<u>4,915,632</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,678,641	21,528	7,700,169
Restricted for:			
Management	192,802	-	192,802
Debt service	118,976	-	118,976
Physical plant and equipment levy	382,776	-	382,776
Capital projects	925,711	-	925,711
Categorical funding	50,576	-	50,576
Unrestricted	1,263,356	206,387	1,469,743
<b>Total net assets</b>	<u>\$ 10,612,838</u>	<u>227,915</u>	<u>10,840,753</u>

See notes to financial statements.



## CLARINDA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:	\$ 7,016,943	1,422,416	2,046,718	(3,547,809)	-	(3,547,809)
Support services:						
Student services	325,540	-	-	(325,540)	-	(325,540)
Instructional staff services	253,615	-	-	(253,615)	-	(253,615)
Administration services	1,130,011	110,762	-	(1,019,249)	-	(1,019,249)
Operation and maintenance of plant services	811,507	-	22,732	(788,775)	-	(788,775)
Transportation services	340,319	-	-	(340,319)	-	(340,319)
	2,860,992	110,762	22,732	(2,727,498)	-	(2,727,498)
Other expenditures:						
Interest on long-term debt	33,011	-	681	(32,330)	-	(32,330)
Long-term debt services	800	-	-	(800)	-	(800)
Facilities acquisition and construction	123,983	-	858	(123,125)	-	(123,125)
AEA flowthrough	387,290	-	387,290	-	-	-
Depreciation (unallocated)*	284,248	-	-	(284,248)	-	(284,248)
	829,332	-	388,829	(440,503)	-	(440,503)
Total governmental activities	10,707,267	1,533,178	2,458,279	(6,715,810)	-	(6,715,810)

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Food service operations	506,362	224,398	278,805	-	(3,159)	(3,159)
Community service and education	-	-	-	-	-	-
	<u>506,362</u>	<u>224,398</u>	<u>278,805</u>	<u>-</u>	<u>(3,159)</u>	<u>(3,159)</u>
Total	<u>\$ 11,213,629</u>	<u>1,757,576</u>	<u>2,737,084</u>	<u>(6,715,810)</u>	<u>(3,159)</u>	<u>(6,718,969)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 2,319,858	-	2,319,858
Management fund				149,891	-	149,891
Capital outlay				72,464	-	72,464
Debt service				467,793	-	467,793
Income surtax				254,182	-	254,182
Statewide sales, services and use tax				570,199	-	570,199
Unrestricted state grants				3,317,468	-	3,317,468
Unrestricted investment earnings				18,559	-	18,559
Other				6,537	-	6,537
Total general revenues				<u>7,176,951</u>	<u>-</u>	<u>7,176,951</u>
Change in net assets				461,141	(3,159)	457,982
Net assets beginning of year				<u>10,151,697</u>	<u>231,074</u>	<u>10,382,771</u>
Net assets end of year				<u>\$ 10,612,838</u>	<u>227,915</u>	<u>10,840,753</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements

**CLARINDA COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2010

**Assets**

	General	Student Activity	Management Levy	Physical Plant and Equipment	Debt Service	Capital Projects	Total
Cash and pooled investments	\$ 1,032,286	182,749	332,646	381,734	118,006	740,952	2,788,373
Receivables:							
Property tax:							
Current year	31,429	-	2,033	1,042	6,730	-	41,234
Succeeding year	2,999,784	-	150,000	76,267	-	-	3,226,051
Income surtax	234,112	-	-	-	-	-	234,112
Due from other governments	346,077	-	-	-	-	184,759	530,836
Other receivables	765,799	-	-	-	-	-	765,799
<b>Total assets</b>	<b>\$ 5,409,487</b>	<b>\$ 182,749</b>	<b>484,679</b>	<b>459,043</b>	<b>124,736</b>	<b>925,711</b>	<b>7,586,405</b>

**Liabilities and Fund Balances**

Liabilities:							
Accounts payable	\$ 826,431	-	141,877	-	-	-	968,308
Accrued salary and benefits	80,497	-	-	-	-	-	80,497
Deferred revenue:							
Succeeding year property tax	2,999,784	-	150,000	76,267	-	-	3,226,051
Income surtax	234,112	-	-	-	-	-	234,112
Federal programs	331,687	-	-	-	-	-	331,687
Total liabilities	4,472,511	-	291,877	76,267	-	-	4,840,655
Fund balances:							
Reserved for:							
Debt services	-	-	-	-	124,736	-	124,736
Categorical funding	50,576	-	-	-	-	-	50,576
Unreserved, reported in:							
Capital projects	-	-	-	-	-	925,711	925,711
Special revenue	-	182,749	192,802	382,776	-	-	758,327
General fund	886,400	-	-	-	-	-	886,400
Total fund balances	936,976	182,749	192,802	382,776	124,736	925,711	2,745,750
<b>Total liabilities and fund balances</b>	<b>\$ 5,409,487</b>	<b>182,749</b>	<b>484,679</b>	<b>459,043</b>	<b>124,736</b>	<b>925,711</b>	<b>7,586,405</b>

See notes to financial statements.

## CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	\$ 2,745,750
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**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	234,112
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,918,641
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	(5,760)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the government funds.

Net OPEB liability	\$ (39,905)	
Revenue bonds payable	<u>(240,000)</u>	<u>(279,905)</u>

<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 10,612,838</u></b>
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## CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment	Debt Service	Capital Projects	Total
Revenues:							
Local sources:							
Local tax	\$2,557,391	-	149,891	72,464	467,793	570,199	3,817,738
Tuition	1,422,416	-	-	-	-	-	1,422,416
Other	154,537	246,287	19,385	3,155	285	858	424,507
State sources	4,379,767	-	131	61	396	-	4,380,355
Federal sources	1,106,743	-	-	-	-	-	1,106,743
Total revenues	9,620,854	246,287	169,407	75,680	468,474	571,057	11,151,759
Expenditures:							
Instruction	6,588,561	237,020	151,457	-	-	-	6,977,038
Support services:							
Student services	325,540	-	-	-	-	-	325,540
Instructional staff services	309,735	-	-	-	-	-	309,735
Administration services	1,130,011	-	-	-	-	-	1,130,011
Operation and maintenance of plant services	789,533	-	139,819	-	-	24,250	953,602
Transportation services	281,450	-	-	-	-	-	281,450
	2,836,269	-	139,819	-	-	24,250	3,000,338

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment	Debt Service	Capital Projects	Total
Other expenditures:							
Long-term debt:							
Principal	-	-	-	-	555,000	-	555,000
Interest	-	-	-	-	29,728	-	29,728
Services	-	-	-	-	800	-	800
Facilities acquisition and construction	-	-	-	1,659	-	122,324	123,983
AEA flowthrough	387,290	-	-	-	-	-	387,290
	387,290	-	-	1,659	585,528	122,324	1,096,801
Total expenditures	9,812,120	237,020	291,276	1,659	585,528	146,574	11,074,177
Excess (deficiency) of revenues over (under) expenditures	(191,266)	9,267	(121,869)	74,021	(117,054)	424,483	77,582
Other financing sources (uses):							
Operating transfers in	-	-	-	-	145,040	-	145,040
Operating transfers out	-	-	-	-	-	(145,040)	(145,040)
	-	-	-	-	145,040	(145,040)	-
Net change in fund balances	(191,266)	9,267	(121,869)	74,021	27,986	279,443	77,582
Fund balances beginning of year	1,128,242	173,482	314,671	308,755	96,750	646,268	2,668,168
Fund balances end of year	\$ 936,976	182,749	192,802	382,776	124,736	925,711	2,745,750

See notes to financial statements.

## CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ 77,582

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities

This represents the change from FY2009 to FY2010 16,649

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 198,215	
Depreciation expense	<u>(343,117)</u>	(144,902)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(3,283)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits (39,905)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	<u>555,000</u>	
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Change in net assets of governmental activities (Exhibit B) \$ 461,141

## CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets  
Proprietary Funds

June 30, 2010

	<u>School Nutrition</u>	<u>Cardinals Kids Zone</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 187,544	15,466	203,010
Inventories	26,801	-	26,801
Capital assets, net of accumulated depreciation	<u>21,528</u>	<u>-</u>	<u>21,528</u>
<b>Total assets</b>	<u>235,873</u>	<u>15,466</u>	<u>251,339</u>
<b>Liabilities</b>			
Accrued salary and benefits	<u>23,424</u>	<u>-</u>	<u>23,424</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	21,528	-	21,528
Unrestricted	<u>190,921</u>	<u>15,466</u>	<u>206,387</u>
	<u>212,449</u>	<u>15,466</u>	<u>227,915</u>
<b>Total net assets</b>	<u>\$ 212,449</u>	<u>15,466</u>	<u>227,915</u>

See notes to financial statements.



## CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2010

	<u>School Nutrition</u>	<u>Cardinals Kids Zone</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 224,398	-	224,398
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	140,261	-	140,261
Benefits	64,742	-	64,742
Services	773	-	773
Supplies	291,757	-	291,757
Depreciation	8,829	-	8,829
	<u>506,362</u>	<u>-</u>	<u>506,362</u>
Other enterprise operations:			
Supplies	-	-	-
Total operating expenses	<u>506,362</u>	<u>-</u>	<u>506,362</u>
Operating (loss)	<u>(281,964)</u>	<u>-</u>	<u>(281,964)</u>
Non-operating revenues:			
Interest on investments	671	-	671
State sources	6,311	-	6,311
Federal sources	<u>271,823</u>	<u>-</u>	<u>271,823</u>
	<u>278,805</u>	<u>-</u>	<u>278,805</u>
Change in net assets	(3,159)	-	(3,159)
Net assets beginning of year	<u>215,608</u>	<u>15,466</u>	<u>231,074</u>
Net assets end of year	<u>\$ 212,449</u>	<u>15,466</u>	<u>227,915</u>

See notes to financial statements.

## CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	School Nutrition	Cardinals Kids Zone	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 224,398	-	224,398
Cash payments to employees for services	(207,685)	-	(207,685)
Cash payments to suppliers for goods or services	(262,922)	-	(262,922)
Net cash (used by) operating activities	(246,209)	-	(246,209)
Cash flows from non-capital financing activities:			
State grants received	6,311	-	6,311
Federal grants received	233,941	-	233,941
Net cash provided by non-capital financing activities	240,252	-	240,252
Cash flows from capital financing activities:			
Acquisition of fixed assets	(1,882)	-	(1,882)
Cash flows from investing activities:			
Interest on investments	671	-	671
Net increase in cash and cash equivalents	(7,168)	-	(7,168)
Cash and cash equivalents beginning of year	194,712	15,466	210,178
Cash and cash equivalents end of year	\$ 187,544	15,466	203,010
<b>Reconciliation of operating (loss) to net cash (used by) operating activities:</b>			
Operating (loss)	\$ (281,964)	-	(281,964)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	8,829	-	8,829
Commodities used	37,882	-	37,882
(Increase) in inventory	(8,274)	-	(8,274)
(Decrease) in accrued salary and benefits	(2,682)	-	(2,682)
	\$ (246,209)	-	(246,209)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received federal commodities valued at \$37,882.

## CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	Private Purpose Trusts	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 6,846	9,968
<b>Liabilities</b>		
Other payables	-	9,968
<b>Net Assets</b>		
Reserved for special purposes	\$ 6,846	-

See notes to financial statements.

## CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust
Additions:	
Local sources:	
Interest on investments	\$ 40
Contributions	<u>3,017</u>
Total additions	<u>3,057</u>
Deductions:	
Support services:	
Other	<u>34,557</u>
Total deductions	<u>34,557</u>
Change in net assets	(31,500)
Net assets beginning of year	<u>38,346</u>
Net assets end of year	<u><u>\$ 6,846</u></u>

See notes to financial statements.

# CLARINDA COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### (1) Summary of Significant Accounting Policies

Clarinda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Clarinda, Iowa, and agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Clarinda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarinda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Cardinal Kids Zone Funds. These funds are used to account for the food service and out of classroom education operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent of individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. There were no intangible assets that met the designated threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000
Intangible assets	100,000

Property, furniture and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July, have been accrued as liabilities.



Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### **E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,020,297 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investor's Service.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 115,863	-	-	115,863
Capital assets being depreciated:				
Land Improvements	1,588,407	16,732	-	1,605,139
Buildings	11,265,226	125,363	-	11,390,589
Furniture and Equipment	1,311,181	56,120	45,770	1,321,531
Total capital assets being depreciated	14,164,814	198,215	45,770	14,317,259
Less accumulated depreciation for:				
Land Improvements	677,720	60,794	-	738,514
Buildings	4,563,196	200,940	-	4,764,136
Furniture and Equipment	976,218	81,383	45,770	1,011,831
Total accumulated depreciation	6,217,134	343,117	45,770	6,514,481
Total capital assets being depreciated, net	7,947,680	(144,902)	-	7,802,778
Governmental activities, capital assets, net	\$ 8,063,543	(144,902)	-	7,918,641
<b>Business type activities:</b>				
Furniture and equipment	\$ 115,032	1,882	5,588	111,326
Less accumulated depreciation	86,557	8,829	5,588	89,798
Business type activities capital assets, net	\$ 28,475	(6,947)	-	21,528
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 58,869
Unallocated				284,248
				343,117
Business Type activities:				
Food service operations				\$ 8,829

**(4) General Obligation Bonds Payable**

The District's general obligation bonded indebtedness were fully retired in June 30, 2010.

**(5) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>
Net OPEB Liability	\$ -	39,905	-	39,905
General Obligation Bond	425,000	-	425,000	-
Revenue Bonds	<u>370,000</u>	<u>-</u>	<u>130,000</u>	<u>240,000</u>
Total	<u>\$795,000</u>	<u>39,905</u>	<u>555,000</u>	<u>279,905</u>

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$348,008, \$318,317, and \$287,755 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Clarinda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$387,290 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Revenue Bonds Payable**

Details of the District's June 30, 2010 School Infrastructure Sales and Services Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	4.80%	<u>\$5,760</u>	<u>240,000</u>	<u>245,760</u>

(10) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$145,040</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(11) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 69 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$49,544
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>49,544</u>
Contributions made	<u>(9,639)</u>
Increase in net OPEB obligation	39,905
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$39,905</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The year ended June 30, 2010, the District contributed approximately \$9,639 to the medial plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$49,544	19.5%	\$39,905

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$457,987, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$457,987. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,293,000 and the ratio of the UAAL to covered payroll was 8.7%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from data provided by the District.

Projected claim costs of the medical plan are \$558 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## Required Supplementary Information

**CLARINDA COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 5,664,661	225,069	5,889,730	6,062,826	6,062,826	(173,096)
State sources	4,380,355	6,311	4,386,666	5,550,791	5,550,791	(1,164,125)
Federal sources	1,106,743	271,823	1,378,566	1,058,938	1,058,938	319,628
Total revenues	<u>11,151,759</u>	<u>503,203</u>	<u>11,654,962</u>	<u>12,672,555</u>	<u>12,672,555</u>	<u>(1,017,593)</u>
Expenditures/Expenses						
Instruction	6,977,038	-	6,977,038	7,609,636	7,609,636	632,598
Support services	3,000,338	-	3,000,338	4,723,357	4,723,357	1,723,019
Non-instructional programs	-	506,362	506,362	700,000	700,000	193,638
Other expenditures	1,096,801	-	1,096,801	1,004,434	1,004,434	(92,367)
Total expenditures/expenses	<u>11,074,177</u>	<u>506,362</u>	<u>11,580,539</u>	<u>14,037,427</u>	<u>14,037,427</u>	<u>2,456,888</u>
Excess of revenues over expenditures/expenses	77,582	(3,159)	74,423	(1,364,872)	(1,364,872)	1,439,295
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	77,582	(3,159)	74,423	(1,364,872)	(1,364,872)	1,439,295
Balance beginning of year	2,668,168	231,074	2,899,242	3,091,850	3,091,850	(192,608)
Balance end of year	<u>\$ 2,745,750</u>	<u>227,915</u>	<u>2,973,665</u>	<u>1,726,978</u>	<u>1,726,978</u>	<u>1,246,687</u>

See accompanying independent auditor's report.

**CLARINDA COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2010**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.



CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( (b-a) / c)
2010	Jul 1, 2008	\$0	\$458	\$458	0.0%	\$5,293	8.7%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## CLARINDA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>DISTRICT-WIDE ACCOUNTS</b>				
Paperback Books	\$ 160	6,108	6,113	155
Field Trips	918	438	1,356	-
Athletic Booster Club	6	1,149	975	180
Wrestling Boosters	8	-	-	8
Band Booster Club	(114)	10,704	9,980	610
Partners in Education	308	13,614	4,848	9,074
Student Activity Interest	6,906	785	-	7,691
Elementary Track Program	4	1,194	1,195	3
Gate Receipts	31,738	8,930	13,510	27,158
	<u>39,934</u>	<u>42,922</u>	<u>37,977</u>	<u>44,879</u>
<b>HIGH SCHOOL CLUBS AND ORGANIZATIONS</b>				
Drama	5,000	6,901	6,901	5,000
Music Resale	394	1,208	1,250	352
Annual	5,604	6,158	6,762	5,000
Concessions	4,812	24,241	20,816	8,237
Cheerleaders	2,330	9,531	6,916	4,945
Honor Society	1,000	435	435	1,000
Student Council	2,126	3,686	3,240	2,572
Spanish Club	33	-	-	33
AFS Students	178	-	-	178
Thespian Club	2,378	8,121	8,298	2,201
Weightlifting Club	3,615	893	1,735	2,773
FFA	10,657	24,444	23,500	11,601
FCCLA	556	8,094	7,883	767
Activities Resale	1,788	7,345	7,339	1,794
Alternative HS Concessions	294	-	13	281
Class of 2009	-	-	-	-
Class of 2010	730	9,138	9,843	25
Class of 2011	1,790	1,688	3,084	394
Class of 2012	1,230	1,664	1,018	1,876
Class of 2013	-	1,659	1,001	658
REACH Leadership Team	392	-	-	392
	<u>44,907</u>	<u>115,206</u>	<u>110,034</u>	<u>50,079</u>
<b>HIGH SCHOOL ATHLETICS</b>				
Cross Country	1,500	898	898	1,500
Golf	1,500	1,217	1,217	1,500
Boys Basketball	4,000	3,570	3,570	4,000
Football	8,000	6,782	6,782	8,000
Baseball	4,000	6,561	5,561	5,000

**CLARINDA COMMUNITY SCHOOL DISTRICT**

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>HIGH SCHOOL ATHLETICS (continued)</b>				
Boys Track	3,500	2,181	2,181	3,500
Boys Tennis	618	728	346	1,000
Wrestling	3,500	2,665	2,665	3,500
Girls Basketball	4,000	3,536	3,536	4,000
Volleyball	4,000	3,415	2,915	4,500
Softball	4,000	3,930	3,930	4,000
Girls Track	3,500	1,899	1,899	3,500
Girls Tennis	1,000	246	246	1,000
Athletic Director	18,000	26,790	26,790	18,000
	<u>61,118</u>	<u>64,418</u>	<u>62,536</u>	<u>63,000</u>
<b>MIDDLE SCHOOL CLUBS AND ORGANIZATIONS</b>				
Activity Tickets	-	-	-	-
Teachers	20	-	-	20
Science Fair	371	185	212	344
Music Resale	1,253	3,917	3,932	1,238
Yearbook	500	1,899	1,899	500
Student Council	1,597	5,565	5,775	1,387
Fiesta Bowl	42	-	-	42
Kirsch Vocational Fundraising	228	-	-	228
Activities Resale	2,768	4,080	1,350	5,498
IAMLE Conference	275	-	-	275
	<u>7,054</u>	<u>15,646</u>	<u>13,168</u>	<u>9,532</u>
<b>MIDDLE SCHOOL ATHLETICS</b>				
Track	1,500	640	640	1,500
Boys Basketball	1,700	970	970	1,700
Football	2,500	1,033	1,033	2,500
Wrestling	1,000	330	330	1,000
Girls Basketball	1,500	970	970	1,500
Volleyball	1,500	478	478	1,500
	<u>9,700</u>	<u>4,421</u>	<u>4,421</u>	<u>9,700</u>
<b>ELEMENTARY SCHOOL ORGANIZATIONS</b>				
Teachers	9,956	2,261	7,471	4,746
Jump Rope For Heart	813	1,413	1,413	813
	<u>10,769</u>	<u>3,674</u>	<u>8,884</u>	<u>5,559</u>
Total	<u>173,482</u>	<u>246,287</u>	<u>237,020</u>	<u>182,749</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Fiduciary Net Assets  
Private Purpose Trust Funds

June 30, 2010

	Y-Teen Scholarship	Evelyn Warren Memorial	Miller Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate
<b>Assets</b>						
Cash and pooled investments	\$ 1,746	74	50	909	687	73
	\$ 1,746	74	50	909	687	73
<b>Net Assets</b>						
Reserved for scholarships	\$ 1,746	74	50	909	687	73
	\$ 1,746	74	50	909	687	73

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Fiduciary Net Assets  
Private Purpose Trust Funds

June 30, 2010

**Assets**

Cash and pooled investments

Swanson Fund	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	New Market Scholarship	Total
569	629	503	1,606	6,846
569	629	503	1,606	6,846

**Net Assets**

Reserved for scholarships

569	629	503	1,606	6,846
569	629	503	1,606	6,846

## CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Changes in Fiduciary Net Assets  
Private Purpose Trusts

Year ended June 30, 2010

	y-Teen Scholarship	Evelyn Warren Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate	Swanson Fund
Additions:						
Local sources:						
Interest on investments	\$ 18	1	-	-	-	-
Contributions	-	-	909	273	-	-
	<u>18</u>	<u>1</u>	<u>909</u>	<u>273</u>	<u>-</u>	<u>-</u>
Deductions:						
Instruction:						
Regular instruction:						
Other	300	-	169	300	-	-
	<u>300</u>	<u>-</u>	<u>169</u>	<u>300</u>	<u>-</u>	<u>-</u>
Change in net assets	(282)	1	740	(27)	-	-
Net assets beginning of year	2,028	73	169	714	73	569
Net assets end of year	<u>\$ 1,746</u>	<u>74</u>	<u>909</u>	<u>687</u>	<u>73</u>	<u>569</u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Changes in Fiduciary Net Assets  
Private Purpose Trusts

Year ended June 30, 2010

	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	New Market Scholarship	Miller Memorial	Vernon Baker Scholarship	Total
Additions:						
Local sources:						
Interest on investments	\$ -	-	21	-	-	40
Contributions	-	-	1,585	250	-	3,017
	-	-	1,606	250	-	3,057
Deductions:						
Instruction:						
Regular instruction:	-	-	-	200	33,588	34,557
Other	-	-	-	200	33,588	34,557
Change in net assets	-	-	1,606	50	(33,588)	(31,500)
Net assets beginning of year	629	503	-	-	33,588	38,346
Net assets end of year	\$ 629	503	1,606	50	-	6,846

See accompanying independent auditor's report.



## CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Fiduciary Net Assets  
Agency Funds

June 30, 2010

	<u>Nurse's Fund</u>	<u>American Field Service</u>	<u>Bossingham Fund</u>	<u>Ed Butler Memorial Fund</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 7,615	572	702	1,079	9,968
	<u>\$ 7,615</u>	<u>572</u>	<u>702</u>	<u>1,079</u>	<u>9,968</u>
<b>Liabilities</b>					
Other payables	\$ 7,615	572	702	1,079	9,968
	<u>\$ 7,615</u>	<u>572</u>	<u>702</u>	<u>1,079</u>	<u>9,968</u>

See accompanying independent auditor's report.

## CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2010

	<u>Nurse's Fund</u>	<u>American Field Service</u>	<u>Bossingham Fund</u>	<u>Ed Butler Memorial Fund</u>	<u>Total</u>
Balance beginning of year	<u>\$ 7,615</u>	<u>572</u>	<u>2,317</u>	<u>479</u>	<u>10,983</u>
Additions:					
Contributions	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>600</u>	<u>2,600</u>
Deductions:					
Miscellaneous	<u>-</u>	<u>-</u>	<u>3,615</u>	<u>-</u>	<u>3,615</u>
Balance end of year	<u>\$ 7,615</u>	<u>572</u>	<u>702</u>	<u>1,079</u>	<u>9,968</u>

See accompanying independent auditor's report.

## CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis					
	2010	2009	2008	2007	2006	2005
Revenues:						
Local sources:						
Local tax	\$ 3,817,738	\$ 3,730,903	3,508,295	3,329,578	3,214,315	3,133,655
Tuition	1,422,416	1,344,751	1,535,721	1,340,106	1,289,544	1,211,801
Other	424,507	478,150	584,130	549,427	418,243	470,490
State sources	4,380,355	4,903,331	4,642,737	4,687,776	4,231,693	3,973,876
Federal sources	1,106,743	673,812	565,423	552,471	608,309	487,546
Total	<u>\$ 11,151,759</u>	<u>\$ 11,130,947</u>	<u>10,836,306</u>	<u>10,459,358</u>	<u>9,762,104</u>	<u>9,277,368</u>
Expenditures:						
Instruction	\$ 6,977,038	\$ 6,930,763	6,337,303	6,319,374	6,028,470	6,061,203
Support services:						
Student	325,540	330,774	308,591	301,676	286,289	314,785
Instructional staff	309,735	357,792	357,533	345,284	180,067	61,141
Administration	1,130,011	979,626	940,816	905,626	865,768	722,024
Operation and maintenance of plant	953,602	906,714	901,997	814,612	802,665	717,553
Transportation	281,450	296,953	325,122	291,716	267,205	233,413
Other expenditures:						
Facilities acquisition	123,983	283,755	9,050	164,834	79,298	423,414
Debt Service:						
Principal	555,000	1,280,000	945,000	495,000	450,000	350,000
Interest and service charges	30,528	78,167	113,424	131,865	166,473	306,487
AEA flowthrough	387,290	342,355	308,916	306,881	277,459	269,609
Total	<u>\$ 11,074,177</u>	<u>\$ 11,786,899</u>	<u>10,547,752</u>	<u>10,076,868</u>	<u>9,403,694</u>	<u>9,459,629</u>

See accompanying independent auditor's report.

## CLARINDA COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY10	46,646
Food Distribution (non-cash item)	10.555	FY10	37,882
National School Lunch Program	10.555	FY10	187,295
			<u>271,823</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1197-D-10	318,396
Title I Grants to Local Educational Agencies	84.010	1197-G-10	105,868
ARRA - Title I Grant to Local Educational Agencies, Recovery Act	84.389	FY10	58,578
			<u>482,842</u>
ARRA - State Fiscal Stabilization Fund (SFSF)			
Education State Grants, Recovery Act	84.394	FY10	427,365
Safe and Drug-Free Schools and Communities - States Grants			
	84.186	FY10	2,851
Grants for Assessments and Related Activities	84.369	FY10	8,021
Improving Teacher Quality - States Grants	84.367	FY10	55,764
Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY10	9,845
Loess Hills Area Education Agency 13			
ARRA - Special Education - Grants to States Recovery Act			
	84.391	FY10	120,990
Special Education - Grants to States	84.027	FY10	55,310
Total			<u>\$ 1,434,811</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarinda Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. See accompanying independent auditor's report.

**BRUCE D. FRINK**  
**Certified Public Accountant**

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of the  
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarinda Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarinda Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarinda Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarinda Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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**Plus:**

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Season

### Compliance and Other Matters

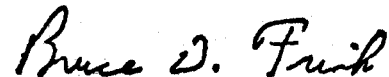
As part of obtaining reasonable assurance about whether Clarinda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarinda Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarinda Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarinda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK  
Certified Public Accountant

March 10, 2011

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Clarinda Community School District:

#### Compliance

We have audited the compliance of Clarinda Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Clarinda Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarinda Community School District's management. Our responsibility is to express an opinion on Clarinda Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarinda Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarinda Community School District's compliance with those requirements.

In our opinion Clarinda Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control over Compliance

The management of Clarinda Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarinda Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarinda Community School District's internal control over compliance.

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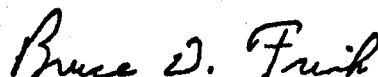
Phone: (515) 532-6659  
Fax: (515) 532-3677  
bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Clarinda Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarinda Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK  
Certified Public Accountant

March 10, 2011



CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
  - Clustered programs:
    - CFDA Number 84.010: Title I Grants to Local Educational Agencies
    - CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarinda Community School District did not qualify as a low-risk auditee.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10      Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-10      Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCY:**

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through Iowa Department of Education

CFDA Number 84.389: ARRA - Title I Grant to Local Educational Agencies, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.010 Title I Grants to Local Education Agencies

Agency Number: 1197-D-10, 1197-G-10

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

III-A-10 Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, exceeded the certified budget amount in the other expenditures function. The District did not exceed its unspent authorized budget for the year ended June 30, 2010.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**  
(continued):

IV-B-10      Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10      Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brian Fine Board Member	Pest Control	\$2,841

In accordance with Chapter 279.7A of the Code of Iowa these transactions appear to represent a conflict of interest since they total more than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

IV-E-10      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-H-10      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-I-10      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-J-10      Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-K-10      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**  
(continued):

IV-L-10      Statewide sales, service and use tax - No instances of non-compliance with the use of the statewide sales, service and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, service and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, service and use tax are as follows:

Beginning balance		\$	-
Statewide sales, service and use tax revenue			570,199
Expenditures/transfers out:			
Equipment	\$156,542		
Debt service for school infrastructure:			
General obligation debt	<u>145,040</u>		<u>301,582</u>
Ending balance			<u>\$268,617</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 Of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Debt Service	\$2.13	468,173
Physical Plant and Equipment Levy	.33	72,522
General Fund	<u>.13</u>	<u>29,504</u>
	<u>\$2.59</u>	<u>570,199</u>